

DEPARTMENT OF THE ARMY MRD-R 11-1-1
Corps of Engineers, Missouri River Division
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MRDRM-M

Regulation
No. 11-1-1

1 November 1995

Army Programs
MANAGEMENT CONTROL PROCESS

1. Purpose. This regulation prescribes the policies, requirements, and responsibilities of the Missouri River Division management control process.

2. Applicability. This regulation is applicable to all elements and subordinate organizations of the Missouri River Division.

3. References.

a. AR 11-2, Management Control.

b. OMB Circular No. A-123, Management Accountability & Control, June 21, 1995.

c. Public Law 97-255, the Federal Manager's Financial Integrity Act.

4. Policy. The management control process emphasizes managers' inherent responsibilities for the design and utilization of effective management controls to prevent waste, fraud, abuse and mismanagement; it provides guidance, direction and management control review methods to assist managers in fulfilling their management control responsibilities. It is the policy of Missouri River Division to implement a management control process which accomplishes the following objectives:

a. Prevention of waste, fraud, abuse and mismanagement through the placement and application of effective management controls, and through periodic evaluations of key management controls identified by HQDA, HQUSACE, or MRD, which provide reasonable assurance that resources are safeguarded from waste, loss, unauthorized use, or misappropriation.

b. Efficient and effective performance of missions and functions in accordance with applicable laws, regulations, and policies.

c. Obligations and costs are in compliance with applicable laws.

d. Revenues and expenditures are properly recorded and accounted for.

This regulation supersedes MRD-R 11-1-1 dated 30 July 1993.

5. Terms. Definitions for terms used in the management control process can be found in the Glossary, Appendix A.

6. Responsibilities.

a. Division and District Commanders as Assessable Unit Managers will:

(1) Ensure operation of an effective management control process.

(2) Appoint a management control administrator from within the Resource Management organization.

(3) Submit an annual assurance statement on management control.

(4) Enforce accountability for managers' compliance with the General Accounting Office (GAO) Standards, periodic application of management control evaluations methods and prompt resolution of audit findings and management control deficiencies, with priority emphasis on material weaknesses.

(5) Certify the results of required management control evaluations on DA Form 11-2-R, Management Control Evaluation Certification Statement.

b. Managers and Supervisors. All managers have personal responsibility for management controls and will fulfill this responsibility by:

(1) Understanding and applying the GAO standards in daily operations (standards provided at appendix B).

(2) Using management controls as tools to conduct operations in a professional and businesslike manner, to enhance a problem prevention attitude, and to address those areas of potentially high risk for fraud, waste, abuse or mismanagement.

(3) Identifying management control deficiencies and material weaknesses (see appendix C) and taking prompt corrective actions. Because the fundamental intent of management controls is the prevention and self-detection of weaknesses, managers will not be penalized for identifying problems.

(4) Promptly resolving audit findings.

c. Director, Division and Office Chiefs. In addition to 6.b. above, these managers are responsible for:

(1) Providing an assurance/certification statement that supports their Commander's Annual Assurance Statement.

(2) Ensuring that management control review methods are utilized as intended by subordinate elements.

(3) Taking action to resolve audit and inspection findings by correcting problems, effecting improvements, or demonstrating that the findings are invalid or do not warrant management action.

(4) Ensuring implementation of the requirements in appendix D regarding inclusion of a management control objective in Total Army Performance Evaluation System (TAPES) annual performance objectives/individual performance standards.

d. District Internal Review Offices. These offices will include management controls as part of their reviews, and advise the District management control administrator of potential material weaknesses discovered during reviews.

e. Management Control Administrators. Resource Management organizations are responsible for designating a management control administrator who will:

(1) Prepare and disseminate management control process guidance, information and training.

(2) Develop local management control plans, identify accountable managers responsible for conducting management control reviews, ensure that review methods are made available to accountable managers for conducting reviews and monitor the review process.

(3) Assist managers in documenting material weaknesses, forward material weaknesses to higher authority as appropriate, and track the completion of action plans correcting the material weaknesses.

(4) Prepare the Commanders' Annual Assurance Statement and other reports.

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7. Procedures.

a. Uncorrected District material weaknesses will be reviewed during Division Office Command Inspections.

b. Districts will provide a Quarterly Material Weakness Status Report (using the format at appendix E) of all uncorrected material weaknesses to Missouri River Division, Resource Management Directorate, CEMRD-RM-M ten working days after the end of each quarter.

c. Correction of District material weaknesses will be reported to the Division Office within two weeks of Internal Review Office verification of correction which is required before a material weakness can be closed. The correction will be reported on a Material Weakness Report (format at appendix C) and will be certified by the District Commander in a transmittal memorandum.

d. A District material weakness reported to the Division Office will be thoroughly evaluated by the appropriate staff element(s) to determine whether or not the material weakness will be reported to HQUSACE. The Division Office will provide the necessary and appropriate assistance to the Districts for correction of material weaknesses.

/s/
RICHARD W. CRAIG
Colonel, EN
Commanding

5 Appendices
APP A - Glossary
APP B - GAO Standards
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APP D - Performance Standards
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Status Report Format

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APPENDIX A
Glossary

<u>Abuse.</u>	Intentionally wrongful or improper use of Government resources, such as misuse of rank, position, or authority.
<u>Accountable Managers.</u>	Managers within a command who are responsible for completing management control evaluations.
<u>Assessable Unit.</u>	A Division or District (each is an assessable unit).
<u>Assessable Unit Manager.</u>	Division and District Commanders.
<u>Assurance Statement.</u>	A report from the District Commander to the Division Commander, and from the Division Commander to the Chief of Engineers on the status of management control in the Command. These annual reports are supported by statements of assurance/annual certification statements from directors, and division and office chiefs.
<u>Deficiency.</u>	A weakness that is minor, not material, and is readily correctable.
<u>Fraud.</u>	Intentionally misleading or deceitful conduct that deprives the Government of its resources or rights.
<u>Management Controls.</u>	The mechanisms, means, or actions employed by managers to ensure that what they want done gets done on a continuing basis. This includes the organizational structure itself that designates specific responsibilities and accountability, formally defined procedures, checks and balances, recurring reports and reviews, physical monitoring, and a broad array of measures used by managers to provide reasonable assurance (confidence) that subordinates are performing as intended.

Management Control Evaluation.

A periodic, detailed assessment of key management controls to determine whether they are operating as intended. This assessment must be based on the actual testing of key management controls and must be supported by documentation (i.e., name and signature of the accountable manager who conducted the evaluation and the date, the name and signature of any intervening manager(s) between the accountable manager and the Commander/assessable unit manager, the methods used to test the controls, any deficiencies detected and the corrective action taken/or planned).

Management Control
Evaluation Checklist.

One method used to assist accountable managers in evaluating the key management controls of a function.

Reasonable Assurance.

An acceptable degree of confidence in the general adequacy of management controls to deter or detect material failures. This is the first GAO standard (appendix B).

Resources.

All items necessary for mission accomplishment including, but not limited to, funds, personnel, equipment, supplies, material, time, technology, and information.

Risk.

The probable or potential adverse effects from inadequate management controls that may result in the loss of Government resources through fraud, error, mismanagement, or misappropriation.

Senior Program Managers.

Senior employees responsible for the management and execution of various programs. They may not be branch or section chiefs as a consequence of recent streamlining efforts. Likewise, they may not be supervisors, or may have only limited supervisory responsibilities.

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Waste.

To consume, spend, or employ
uselessly or without adequate
return.

APPENDIX B

GAO Standards

These standards, presented here in abridged form, define the minimum level of quality acceptable for internal management control systems in operation. Their full text can be found in appendix B of AR 11-2.

1. Reasonable Assurance. Internal management control is used to provide reasonable assurance that the objectives of the systems will be accomplished. This standard recognizes that the cost of internal management control should not exceed the benefit derived. Reasonable assurance equates to a satisfactory level of confidence under given considerations of cost, benefit, and risk.

2. Supportive Attitude. Managers and employees are to maintain and demonstrate a positive and supportive attitude toward internal management controls at all times. Attitude is not reflected in any one particular aspect of a manager's behavior, but rather it is nurtured by a manager's commitment and general leadership to promote strong controls for organizational staffing, personnel practices, communication, protection and use of resources through systematic accountability, monitoring, and systems of reporting.

3. Competent Personnel. Managers and employees are to have personal and professional integrity and are to maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal management controls.

4. Control Objectives. Internal management control objectives are to be identified or developed for each agency activity and are to be logical, applicable, and reasonably complete. Complying with this standard calls for identifying the cycles of agency operations and analyzing each in detail to develop the cycle's management control objectives.

5. Control Techniques. These are to be effective and efficient in accomplishing internal control objectives. Techniques are the mechanisms by which control objectives are achieved. They include, but are not limited to, specific policies, procedures, organization arrangements (including separation of duties, reconciliation, suspense, and physical observation actions), as well as essential physical measures (such as locks and fire alarms).

6. Documentation. Internal management control systems, all transactions, and other significant events are to be clearly documented with the documentation readily available for examination.

7. Recording of Transactions and Events. These are to be promptly recorded and properly classified if the data are to maintain their relevance and value to management in controlling operations and making decisions.

8. Execution of Transactions and Events. These are to be authorized and executed only by persons acting within the scope of their authority. This standard deals with management decisions to exchange, transfer, use, or commit resources for specified purposes under specific conditions. Conforming to the terms of an authorization means that personnel are carrying out their assigned duties according to Army directives and within the limitations established by management.

9. Separation of Duties. Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals. To reduce the risk of error, waste, or wrongful acts, or to reduce the risk of those acts going undetected, no one individual should control all key aspects of a transaction or event cycle.

10. Supervision. Qualified and continuous supervision is to be provided to ensure that internal management control objectives are achieved. This standard requires clearly communicating the duties, responsibilities, and accountabilities assigned to each staff member and systematically reviewing each member's work.

11. Access to and Accountability for Resources. Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained.

12. Prompt Resolution of Audit Findings. Managers are to promptly evaluate findings and recommendations reported by auditors; determine proper actions in response to audit findings and recommendations; and complete, within established timeframes, all actions that correct or otherwise resolve the matters brought to management's attention.

APPENDIX C

Material Weakness

1. The absence of or noncompliance with any management control for accomplishing regulatory requirements constitutes a weakness that must be corrected. The initial determination that a weakness is or is not material is based on the manager's judgment about the relative significance of the problem. If the problem requires the attention or awareness of the next higher level of management, it should be considered material and therefore reported. The decision regarding materiality is redetermined at each progressive echelon based on each responsible manager's professional judgment.

2. As guides only, the following factors can be considered in making a determination of whether the absence or noncompliance with an internal management control is a material weakness.

a. Actual or potential loss of resources and the sensitivity of the resources involved.

b. Magnitude of funds, property, or other resources. By itself, dollar significance is not necessarily a deciding factor.

c. Actual or potential frequency of loss.

d. Current or probable media or congressional interest (adverse publicity).

e. Unreliable information causing unsound management decisions.

f. Diminished credibility or reputation of management.

g. Impaired fulfillment of essential mission.

h. Violation of statutory or regulatory requirements.

i. Information security risk.

j. Public deprivation of needed Government services.

k. Audit finding.

3. Upon determining that a weakness is material, the attached form is used to document the problem and create a plan of action to correct it. The management control administrator will assist in this effort.

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MATERIAL WEAKNESS REPORT FORMAT

Reporting Organization _____

Material Weakness ID _____ Date _____

() Discovered in Prior Years () Discovered in Current FY

() Corrective Actions Have Been Taken () Requiring Corrective
Actions

Task/Subtask:

Short Title of Weakness:

Description of Weakness (Include Estimates of Dollar and/or
Operational Significance of Weakness):

Weakness Detected by (Source):

Plan of Corrective Actions

<u>Action</u>	<u>Completion Date</u>
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Point of Contact: Name: _____
Office Symbol: _____
Phone: _____

APPENDIX D

Performance Standards

1. Every manager has a "performance agreement" that inherently requires the exercise of sound management controls. Accordingly, the GAO standards apply to every manager without additional definition, and managers can be held accountable for noncompliance with the applicable standards. Even so, explicit statements of responsibility are required in either the performance agreements or Total Army Performance Evaluation System (TAPES) performance standards and objectives of individuals in certain positions. These are:

- a. General officers, colonels, and lieutenant colonels.
- b. Directors, and office, division, branch, and section chiefs.
- c. All supervisors.
- d. Senior program managers without primary supervisory responsibilities.
- e. Management control administrators.

2. The following management control element is designated for use for general officers, colonels, and lieutenant colonels:

Responsible for establishing and maintaining an effective management control process consistent with AR 11-2 and local circumstances, and for ensuring timely and effective resolution of audit findings and recommendations and implementation of agreed-upon corrective actions.

3. The following management control objective is required to be included in the annual TAPES performance objectives/individual performance standards of all others noted in sub-paragraphs 1.b. through 1.d. above.

Apply the 12 GAO standards and management controls to institute the division-wide management control policy for my function(s).

4. The following management control objectives are required to be included in the annual TAPES performance objective/individual performance standards of all Missouri River Division management control administrators:

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- a. Develop and administer management control process for command.
- b. Identify accountable managers and make management control evaluation methods available to them for guidance and formal execution.
- c. Assist managers in documenting material weaknesses.
- d. Prepare annual assurance statement and other program reports.

APPENDIX E

Quarterly Material Weakness Status Report Format

Reporting Organization _____

Material Weakness ID _____ Date _____

Task/Subtask:

Short Title of Weakness:

Description of Weakness (Include Estimates of Dollar and/or Operational Significance of Weakness):

Weakness Detected by (Source):

Plan of Corrective Actions

Action	Original Completion Date	Status	Revised Completion Date
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Point of Contact: Name: _____
Office Symbol: _____
Phone: _____